Fixed index annuities

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Allianz Life Insurance Company of North America

Understanding the **market value adjustment (MVA)**

A fixed index annuity can be a great addition to your overall retirement strategy, but it's important to understand how it works. Here we explain what an MVA is, when it applies, and how it may impact your contract values.

What is an MVA?

A market value adjustment (MVA) is used to adjust your annuity contract's values according to the interest rate environment, as measured by corporate bond yields. The MVA may increase or decrease your contract's cash surrender value.

THE **MVA APPLIES ONLY** DURING your contract's SURRENDER CHARGE PERIOD.

When does the MVA apply?

The MVA applies only if you cancel ("surrender") the contract, annuitize, or take excess partial surrenders during the surrender charge period. Otherwise the MVA doesn't apply, and won't impact your contract value.

WHY DOES MY CONTRACT HAVE AN MVA?

An annuity is designed to provide guaranteed retirement income, and one way we back those guarantees is by making prudent, long-term investments. To support those long-term investments, we build deferral periods (also called "surrender periods") into our annuity contracts – that is, a period of time during which you agree to leave the premium in your annuity.

If you withdraw more than your contract allows during the surrender period, you may incur a surrender charge, and we may apply an MVA to your contract's value. In this way, the MVA helps us manage investment risk by aligning your surrender value with the current value of the long-term investments backing your contract guarantees. By managing the investment risk through the MVA, it may allow us to offer better rates.

HOW DO BOND YIELDS **AFFECT AN MVA?**

As the chart below illustrates, bond yields typically have an inverse relationship to the MVA.

In general, if corporate bond yields at the time of the withdrawal are:		Then the cash surrender value will be:	
Less than when you added the premium	▼	Higher	▲
Equal to when you added the premium	=	Unaffected	=
Greater than when you added the premium	▲	Lower	▼

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Must be used with an appropriate fixed index annuity consumer brochure.

Product and feature availability may vary by state and broker/dealer.

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Are there limits on the MVA?

Yes. We set upper and lower limits to how much the MVA can impact your contract's value:

- The MVA can't lower your cash surrender value below your guaranteed minimum value, and
- The MVA can't raise your cash surrender value above your accumulation value.

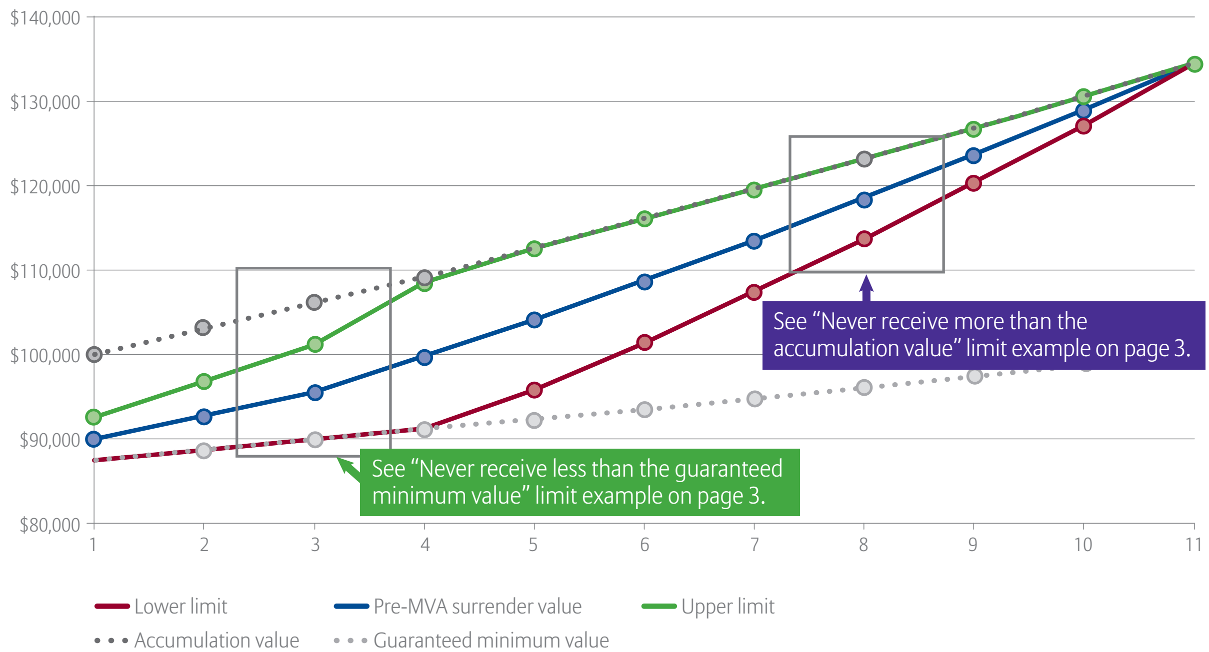
It's important to note that these upper and lower MVA limits are always symmetrical. That is, we compare the pre-MVA cash surrender value to both the guaranteed minimum value and the accumulation value,[1] determine which value difference is smaller, and apply that smaller value to the pre-MVA cash surrender value to get both the upper and lower MVA limits. We explain this in more detail in the following example.

It's important to note THE UPPER AND LOWER MVA LIMITS ARE **ALWAYS SYMMETRICAL.**

How can the MVA limits change during the surrender charge period?

In this hypothetical example, let's assume the contract had an initial premium of $100,000, no premium bonus, a 10-year decreasing surrender charge schedule, a GMV rate of 1.35%, no rider charges, and earned 3% annual indexed interest. You can see that both the upper and lower limits change as indexed interest is credited.

3% CREDITED INTEREST EXAMPLE



This example assumed 3% annual indexed interest. However, had there been less indexed interest credited, the upper and lower limits would have generally been closer to the pre-MVA cash surrender value. Conversely, had there been more indexed interest earned, the limits would have generally been farther from the pre-MVA cash surrender value.

These charts are hypothetical examples for illustrative purposes only. Figures used are not guaranteed and not intended to project or predict future results. Mid-year surrender values may be lower due to the timing of interest credits and surrender charge changes.

[1] For products with a vesting bonus, we use the accumulation value less any unvested bonus.

How we set the MVA limits

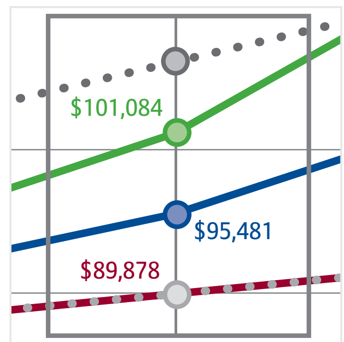
Using the previous hypothetical chart, which assumed 3% annual indexed interest, let's zoom in on a couple of specific years. As you see below, we set the MVA limits to ensure that your contract's value never dips beneath the guaranteed minimum value as a result of the MVA – and never climbs above the accumulation value, either.

NEVER RECEIVE **LESS THAN THE GUARANTEED MINIMUM VALUE**

Beginning of year	Accumulation value	Pre-MVA surrender value	GMV
3	$106,090	$95,481	$89,878

This first example assumes you surrender your contract at the beginning of year 3. The difference between your accumulation value ($106,090) and your pre-MVA surrender value ($95,481) is **$10,609** (the current surrender charge at the beginning of year 3). The difference between your pre-MVA surrender value ($95,481) and the GMV ($89,878) is **$5,603**. We use the lesser of these two numbers – $5,603 – to set the upper and lower limits to the cash surrender value. And because they are symmetrical, in this case the limits to the cash surrender value are:

UPPER LIMIT = $101,084 ($95,481 + **$5,603**)
LOWER LIMIT = $89,878 ($95,481 – **$5,603**)



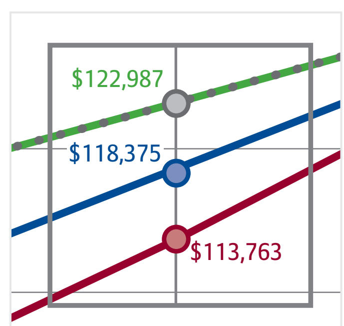
Beginning of year 3
MVA limit = +/– $5,603

NEVER RECEIVE **MORE THAN THE ACCUMULATION VALUE**

Beginning of year	Accumulation value	Pre-MVA surrender value	GMV
8	$122,987	$118,375	$96,111

This second example assumes you surrender your contract at the beginning of year 8. The difference between your accumulation value ($122,987) and your pre-MVA surrender value ($118,375) is now **$4,612** – while the difference between your pre-MVA surrender value ($118,375) and the GMV ($96,111) is **$22,264**. Again, we use the lesser of these two numbers – $4,612 – to set the upper and lower limits to the cash surrender value:

UPPER LIMIT = $122,987 ($118,375 + **$4,612**)
LOWER LIMIT = $113,763 ($118,375 – **$4,612**)



Beginning of year 8
MVA limit = +/– $4,612

How can corporate bond yield changes impact my contract's value?

Now let's look at how different corporate bond yield scenarios would impact the surrender value, and when it would hit the limits using 3% annual indexed interest as described on the previous pages. The light green- and light red-shaded areas of the table below show when the upper and lower limits, respectively, have been reached. This example assumes an initial corporate bond yield of 3%. Given a change in corporate bond yields of 1.5% in either direction, the contract reached the MVA limit at every point during the surrender charge period. Remember, when there is no change in corporate bond yields (and once the surrender charge period is over at the end of year 10), the MVA has no impact on the surrender values, which are shaded in blue.

3% INDEXED INTEREST												
		SURRENDER VALUE BEGINNING OF YEAR										
Change in corporate bond yields		1	2	3	4	5	6	7	8	9	10	11
	-2.00%	92,500	96,719	101,084	108,331	112,551	115,927	119,405	122,987	126,677	130,477	134,392
	-1.50%	92,500	96,719	101,084	108,331	112,551	115,927	119,405	122,987	126,677	130,477	134,392
	-1.00%	92,500	96,719	101,084	106,759	110,386	114,115	117,949	121,891	125,944	130,110	134,392
	-0.50%	92,500	96,719	99,271	103,166	107,194	111,359	115,665	120,116	124,718	129,475	134,392
	0.00%	90,000	92,700	95,481	99,711	104,110	108,682	113,435	118,375	123,510	128,846	134,392
	0.50%	87,500	88,747	91,853	96,388	101,128	106,082	111,259	116,668	122,320	128,224	134,392
	1.00%	87,500	88,681	89,878	93,191	98,246	103,556	109,135	114,993	121,146	127,607	134,392
	1.50%	87,500	88,681	89,878	91,092	95,668	101,436	107,465	113,763	120,343	127,215	134,392
	2.00%	87,500	88,681	89,878	91,092	95,668	101,436	107,465	113,763	120,343	127,215	134,392

The MVA is an important feature that may affect your contract value only if you surrender the contract, annuitize, or take excess partial surrenders during the surrender charge period. Please be sure to evaluate the MVA – but remember that it's just one feature to weigh when considering an annuity. (You should also evaluate the length of the surrender period, the surrender charge percentages, and any applicable vesting schedules – among other factors.) But since these features may allow us to offer stronger rates, it's important to consider the accumulation opportunity any contract can provide as well.

A fixed index annuity can help you meet your long-term retirement needs by offering principal protection from market downturns, tax deferral, and a death benefit for your beneficiaries.

Ask your financial professional for more information and if an annuity may be a good fit for you.